# EXHIBIT E-3

*Hassan M. Ahmed* has been Chief Executive Officer and a member of our Board of Directors since November 1998 and Chairman of our Board of Directors since April 2004. From November 1998 to April 2004, he was also our President. From July 1998 to November 1998, Mr. Ahmed was Executive Vice President and General Manager of the Core Switching Division of Ascend Communications, Inc., a provider of wide area network switches and access data networking equipment, and from July 1997 until July 1998 was a Vice President and General Manager of the Core Switching Division. From June 1995 to July 1997, Mr. Ahmed was Chief Technology Officer and Vice President of Engineering for Cascade Communications Corp., a provider of wide area network switches. From 1993 until June 1995, Mr. Ahmed was a founder and President of WaveAccess, Inc., a supplier of wireless communications. Prior to that, he was an Associate Professor at Boston University, Engineering Manager at Analog Devices, a chip manufacturer, and director of VSLI Systems at Motorola Codex, a supplier of communications equipment. Mr. Ahmed holds a B.S. and an M.S. in engineering from Carleton University and a Ph.D. in engineering from Stanford University.

*Rubin Gruber* is one of our founders and has been a Director since November 1997 and Chairman Emeritus of our Board of Directors since April 2004. From November 1998 until April 2004, Mr. Gruber had been Chairman of the Board of Directors, and from November 1997 until November 1998, Mr. Gruber was our President. Before founding Sonus, Mr. Gruber was a founder of VideoServer, Inc., now Ezenia!, Inc., a manufacturer of videoconference network equipment, and from February 1992 until September 1996 served as Vice President of Business Development. Previously, Mr. Gruber was a founder and served as President of both Cambridge Telecommunications, Inc., a manufacturer of networking equipment, and Davox Corporation, a developer of terminals supporting voice and data applications, and served as a Senior Vice President of Bolt, Beranek and Newman Communications Corporation, a subsidiary of Bolt, Beranek and Newman, Inc., a manufacturer of data communications equipment. Mr. Gruber holds a B.Sc. in mathematics from McGill University and an M.A. in mathematics from Wayne State University.

*Edward N. Harris* has been our Vice President of Manufacturing since October 2002. From September 2000 to October 2002, Mr. Harris was our Director of Materials and Planning. From July 1999 to September 2000, Mr. Harris was Senior Supply Chain Manager for Lucent Technologies, Integrated Network Solutions, a provider of core switching products. He was previously employed by Ascend Communications prior to its acquisition by Lucent, as Supply Chain Manager from January 1998 to June 1999 and as Senior Buyer/Planner from June 1997 to December 1997, and with Cascade Communications prior to its acquisition by Ascend, as Senior Buyer/Planner from 1994 to June 1997. Prior to that, he worked in materials management at American Science & Engineering, a manufacturer of x–ray inspection equipment and at Analog Devices. Mr. Harris holds a B.S. from the University of New Hampshire.

*Michael G. Hluchyj* is one of our founders and has been our Chief Technology Officer and Vice President since November 1997. He also has been our Secretary since our inception, and was our President from August 1997 to November 1997, our Treasurer from inception until March 2000 and a Director from our inception until November 1998. From July 1994 until July 1997, he was Vice President and Chief Technology Officer at Summa Four, Inc., a supplier of switches for carrier networks. Previously, he was Director of Networking Research at Motorola Codex and on the technical staff at AT&T Bell Laboratories. Mr. Hluchyj holds a B.S. in engineering from the University of Massachusetts and an M.S. and a Ph.D. in engineering from the Massachusetts Institute of Technology.

*Paul R. Jones* has been our Vice President of Engineering since June 2000. From February 1997 until May 2000, he was Vice President of Engineering for Indus River Networks, Inc., a developer of virtual private network solutions. From December 1994 until February 1996, he was Chief Operating Officer at Isis Distribution Systems, a wholly owned subsidiary of Stratus Computers. From March 1990 until November 1994, he was Vice President of Engineering at Stratus Computers, Inc., a provider of fault tolerant computer systems and services. Previously, Mr. Jones held senior engineering

management positions at Stellar Computers, Inc. and Prime Computer, Inc. Mr. Jones holds an A.B. from Brown University and an M.S. in engineering from the University of Massachusetts.

*Jeffrey Mayersohn* has been our Vice President of Customer Support and Professional Services since July 1999. From March 1998 until July 1999, he was our Vice President of Carrier Relations. From June 1997 to March 1998, Mr. Mayersohn was a Senior Vice President at GTE Internetworking, an Internet service provider. From January 1995 to June 1997, he was with BBN Corporation, formerly Bolt, Beranek and Newman, Inc., and was a Vice President at the BBN Planet division, an Internet service provider. From 1978 to January 1995, he held a number of positions at Bolt, Beranek and Newman Communications Corporation, including Senior Vice President of Engineering, Senior Vice President responsible for U.S. Government Networks and Vice President of Professional Services. Mr. Mayersohn holds an A.B. in physics from Harvard College and an M.Phil. in physics from Yale University.

*Bradley T. Miller* has been our Vice President of Finance, Corporate Controller and Chief Accounting Officer since May 2004. From March 2000 through May 2004, Mr. Miller was with Sapient Corporation, an information technology and business consulting firm. Mr. Miller joined Sapient in March 2000 as Corporate Controller, and was appointed Vice President in August 2001 and Chief Accounting Officer in November 2002. From September 1999 until March 2000, Mr. Miller served as Vice President and Corporate Controller of JuniorNet Corporation, an Internet content provider, and from August 1996 to September 1999 was Director of Financial Reporting of Wang Global, a worldwide provider of network services. Mr. Miller previously was a member of the audit practice with Coopers & Lybrand where he earned his C.P.A. license. Mr. Miller has a B.A. from the College of William & Mary, and an M.B.A. from the University of New Hampshire.

*Albert A. Notini* has been our President and Chief Operating Officer since April 2004 and a Director since March 2003. Until becoming President and Chief Operating Officer in April 2004, Mr. Notini was also a member of the audit committee. Mr. Notini served as a Director and the Chief Financial Officer of Manufacturers Services Limited, a global electronics and supply chain services company, from October 2000 to March 2004. He joined Manufacturers Services Limited in May 2000 as Executive Vice President, Business Development and General Counsel and served in that capacity until October 2000. From January 1999 to June 1999, Mr. Notini was the Executive Vice President, Corporate Development and Administration and General Counsel of Wang Global, a worldwide provider of network services. Wang Global was acquired by Getronics NV in June 1999 and Mr. Notini served as Executive Vice President of Getronics until February 2000. He joined Wang Global in February 1994 as Senior Vice President and General Counsel. Prior to joining Wang Global Mr. Notini was a Senior Partner at Hale and Dorr LLP, a law firm. Mr. Notini has a B.A. from Boston College, an M.A. from Boston University and a J.D. from Boston College Law School. Mr. Notini also serves as a director of ePresence, Inc.

*John Michael O'Hara* has been our Vice President of Marketing since July 2002. From 1987 to March 2002, Mr. O'Hara held a number of positions at Nortel Networks Corporation, a communications technology provider. From March 2001 to March 2002, he served as Vice President of Marketing in Europe, the Middle East and Africa, from April 1999 to March 2001 was Vice President of Business Operations, from April 1997 to March 1999 was Executive Assistant to the President and, from January 1996 to March 1997 was Senior Manager of Order Management. Prior to that, he held a number of management positions including sales, operations and customer service with Nortel in the European region. He holds a degree in engineering from the Queens University of Belfast.

*Gary A. Rogers* has been our Vice President of Worldwide Sales since March 1999. From March 1999 to December 2000, Mr. Rogers was also our Vice President of Marketing. From February 1997 to March 1999, Mr. Rogers was Senior Vice President of Worldwide Sales and Operations at Security Dynamics, Inc., now RSA Security, Inc., a supplier of network security products.

Previously, he served at Bay Networks, Inc., as Vice President of International Sales from July 1996 to February 1997 and as Vice President of Europe, Middle East and Africa from 1994 until July 1996. Prior to that, he held sales and marketing positions with International Business Machines Corporation. Mr. Rogers holds a B.A. in mathematics from Dartmouth College and an M.B.A. from the University of Chicago.

***Edward T. Anderson*** has been a Director since November 1997. Mr. Anderson has been managing general partner of North Bridge Venture Partners, a venture capital firm, since 1994. Previously, he was a general partner of ABS Ventures, the venture capital affiliate of Alex Brown & Sons. He has an M.F.A. from the University of Denver and an M.S. from Columbia University.

***Paul J. Ferri*** has been a Director since November 1997. Mr. Ferri has been a general partner of Matrix Partners, a venture capital firm, since 1982. He also serves on the Board of Directors of Sycamore Networks, Inc. Mr. Ferri has a B.S. in engineering from Cornell University, an M.S. in engineering from Polytechnic Institute of New York and an M.B.A. from Columbia University.

***Paul J. Severino*** has been a Director since March 1999. Mr. Severino is a private investor. From 1994 to October 1996, he was Chairman of Bay Networks, Inc. after its formation from the merger of Wellfleet Communications, Inc. and Synoptics Communications, Inc. Prior to that, he was a founder, President and Chief Executive Officer of Wellfleet Communications, Inc. He also serves on the Board of Directors of Media 100, Inc. Mr. Severino has a B.S. in engineering from Rensselaer Polytechnic Institute.

***H. Brian Thompson*** has been a Director since October 2003. Mr. Thompson currently serves as chairman of the board of directors for Comsat International, an independent telecommunications operator with operations throughout Latin America. He also heads his own private equity investment and advisory firm, Universal Telecommunications, Inc. Mr. Thompson currently serves as a member of the board of directors of Bell Canada International, ArrayComm, Inc., Axcelis Technologies, Inc. and United Auto Group. He received his M.B.A. from Harvard's Graduate School of Business, and received an undergraduate degree in chemical engineering from the University of Massachusetts.

**Code of Conduct**

We have adopted a Code of Business Conduct and Ethics that applies to all executive officers, directors and employees of the company. The Code of Business Conduct and Ethics is attached as an exhibit to this Annual Report on Form 10–K and also can be found under the "Investor Relations" section of our website at www.sonusnet.com. We intend to satisfy the disclosure requirement under Item 10 of Form 8–K (or any successor provision thereto) regarding an amendment to, or waiver from, a provision of this Code of Business Conduct and Ethics with respect to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website, unless a Form 8–K is otherwise required by applicable rules of the NASDAQ National Market.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons who own more than 10% of the our common stock to file reports of ownership and changes in ownership with the SEC. Based solely on a review of the copies of reports furnished to us, we believe that during the year ended December 31, 2003, our directors, executive officers and greater than 10% shareholders complied with all Section 16(a) filing requirements, except that Mr. Notini was late in filing a Form 3 following his appointment as a director and reporting his initial grant of options to purchase shares of common stock under Form 4, Messrs. Ahmed, Gruber and Rogers were late in reporting gifts of shares on Form 5, and Messrs. Ahmed, Gruber, Hluchyj, Mayersohn, Nill and Rogers were late in reporting stock repurchases from an exchange fund on Form 4.

**Audit Committee**

The board of directors has an audit committee that operates under a charter that has been approved by the board. A current copy of the audit committee's charter is posted on the "Investor Relations" section of our website, www.sonusnet.com. The current members of the audit committee are Edward T. Anderson, Paul J. Ferri and Paul J. Severino.

The board of directors has determined that all of the members of the audit committee are independent as defined under the new rules of the NASDAQ Stock Market that become applicable to us on the earlier of the date of our 2004 Annual Meeting or October 31, 2004, including the independence requirements contemplated by Rule 10A–3 under the Exchange Act. In addition, all of the members of the audit committee are independent as defined by the rules of the NASDAQ Stock Market that apply to us until such date and otherwise satisfy NASDAQ's eligibility requirements for audit committee membership.

In 2003, the board of directors determined that Mr. Notini was an "audit committee financial expert" as defined in Item 401(h) of Regulation S K. Mr. Notini served as chair of the audit committee from March 2003 until April 2004, when he joined us as President and Chief Operating Officer. Mr. Notini was independent, as defined in the preceding paragraph, when he served on the audit committee. Presently we do not have an individual serving on the audit Committee who meets the requirements of an audit committee financial expert as a result of Mr. Notini becoming President and Chief Operating Officer. We are actively recruiting a new non–employee director to serve as chair of the audit committee and who will meet the requirements of an "audit committee financial expert."

**ITEM 11. EXECUTIVE COMPENSATION**

**Director Compensation**

We compensate directors in cash in the amount of $10,000 for service as chairman of a committee of the Board of Directors. Directors also are eligible to be reimbursed for reasonable out–of pocket expenses incurred in connection with attendance at Board or committee meetings.

Under our Amended and Restated 1997 Stock Incentive Plan (the Plan), non–employee directors also are eligible to receive stock option grants or restricted stock awards at the discretion of the Board of Directors or other administrator of the Plan. In March 2003, we granted an option to purchase 50,000 shares of our common stock to Mr. Notini upon his appointment to the Board of Directors, at an exercise price of $2.13 per share. In May 2003, we granted options to purchase 10,000 shares of our common stock to our non–employee directors, Messrs. Anderson, Ferri and Severino, under the Plan, each at an exercise price of $3.31 per share. In October 2003, we granted an option to purchase 50,000 shares of our common stock to Mr. Thompson upon his appointment to the Board of Directors, at an exercise price of $7.65 per share. Each of these options vests over a four–year period with 25% of the number of options vesting one year from the date of grant and monthly thereafter at the rate of 2.0833% for each month of service completed by the director.

**Summary of Executive Compensation**

The following table sets forth, for the years ended December 31, 2003, 2002 and 2001, the compensation earned by our Chief Executive Officer, and the other four most highly compensated executive officers who received combined annual salary and bonus in excess of $100,000 (the Named Executive Officers).

## Summary Compensation Table

| Name and Current Principal Position | Year | Annual Compensation: Salary | Annual Compensation: Bonus | Annual Compensation: Other Annual Compensation | Long-Term Compensation Awards: Restricted Stock Awards(4) | Long-Term Compensation Awards: Securities Underlying Options/SARs |
|---|---|---|---|---|---|---|
| Hassan M. Ahmed | 2003 | $ 153,125 | $ 75,000 | $ — | — | 2,000,000 |
| Chief Executive Officer and Chairman of the Board of | 2002 | 113,021 | 48,400 | 7,917(2) | | — |
| Directors | 2001 | 175,000 | 75,000 | 38,000(2) | | 640,000 |
| Rubin Gruber | 2003 | 153,125 | — | — | — | 430,000 |
| Chairman Emeritus of the Board of Directors | 2002 | 113,021 | | | | — |
| | 2001 | 175,000 | | | | 320,000 |
| Paul R. Jones | 2003 | 170,625 | — | — | — | 530,000 |
| Vice President of Engineering | 2002 | 162,604 | | | | — |
| | 2001 | 175,000 | | | | 70,000 |
| John M. O'Hara | 2003 | 170,500 | — | — | — | 100,000 |
| Vice President of Marketing | 2002 | 70,247(1) | | | | 220,000 |
| | 2001 | — | | | | — |
| Gary A. Rogers | 2003 | 492,293(3) | — | — | — | 430,000 |
| Vice President of Worldwide Sales | 2002 | 236,574(3) | | | | — |
| | 2001 | 213,702(3) | | | | 70,000 |

*(1)* Represents the total amount of compensation received in fiscal 2002 for the portion of the year during which he was one of our executive officers. Mr. O'Hara joined us in July 2002.

*(2)* Represents amounts due in connection with original employment agreement for reimbursed interest expense.

*(3)* Includes $369,774, $146,158 and $68,762 of commission income in 2003, 2002 and 2001, respectively.

*(4)* On December 31, 2003, Mr. Rogers was the only Named Executive Officer who had unvested restricted common stock. The value of the 93,750 shares as of December 31, 2003 was $700,625. The value is based on the fair market value of our common stock on December 31, 2003 of $7.54 per share less the purchase price paid. Mr. Rogers will be entitled to receive any dividends we pay on our common stock.

### Stock Option Grants

The Option Grant Table below sets forth information about option grants to the Named Executive Officers during the year ended December 31, 2003, including hypothetical gains or "option spreads" for the options at the end of their respective ten-year terms, as calculated in accordance with the rules of the SEC. Each gain is based on an arbitrarily assumed annualized rate of compound appreciation of the market price at the date of grant of 5% and 10% from the date the option was granted to the end of the option term. Actual gains, if any, on option exercises are dependent on the future performance of our common stock, overall market conditions and continued employment.

**Option Grants in Last Fiscal Year**

| Name | No. of Securities Underlying Options Granted(1) | Percent of Total Options Granted to Employees in Fiscal Year(2) | Exercise Price Per Share(3) | Expiration Date | Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation For Option Term(4) | |
|---|---|---|---|---|---|---|
| | | | | | 5% | 10% |
| Hassan M. Ahmed | 2,000,000 | 9.96% | $ 4.47 | 6/16/2013 | $ 5,620,000 | $ 14,240,000 |
| Rubin Gruber | 430,000 | 2.14 | 4.47 | 6/16/2013 | 1,208,300 | 3,061,600 |
| Paul R. Jones | 530,000 | 2.64 | 4.47 | 6/16/2013 | 1,489,300 | 3,773,600 |
| John M. O'Hara | 100,000 | 0.50 | 4.47 | 6/16/2013 | 281,000 | 712,000 |
| Gary A. Rogers | 430,000 | 2.14 | 4.47 | 6/16/2013 | 1,208,300 | 3,061,600 |

(1) Options vest 25% one year from the date of grant and thereafter an additional 2.0833% for each month of employment.

(2) Based on options to purchase an aggregate of 20,087,276 shares of common stock granted by us to employees, including those granted to the Named Executive Officers, during the fiscal year ended December 31, 2003.

(3) Options were granted with an exercise price equal to the fair market value of our common stock on the date of grant.

(4) The potential realizable value is calculated based on (a) the ten-year term of the option at its time of grant; (b) the assumption that the closing price for the common stock on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option; and (c) the assumption that the option is exercised and sold on the last day of its term for the appreciated stock price.

### Option Exercises and Holdings

The following table sets forth information concerning the exercise of stock options by each of the Named Executive Officers and the value of unexercised stock options held by them as of December 31, 2003.

**Aggregated Option Exercises in Last Fiscal Year And Fiscal Year-end Option Values**

| Name | Shares Acquired on Exercise | Value Realized(1) | Number of Securities Underlying Unexercised Options at Fiscal Year End | | Value of Unexercised In-The-Money Options at Fiscal Year End(2) | |
|---|---|---|---|---|---|---|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Hassan M. Ahmed | 0 | $ — | 1,179,481 | 2,273,519 | $ 3,166,860 | $ 6,393,180 |
| Rubin Gruber | 0 | — | 1,041,147 | 596,853 | 3,482,370 | 1,573,280 |
| Paul R. Jones | 100,000 | 390,800 | 350,192 | 600,208 | 870,980 | 1,761,790 |
| John M. O'Hara | 68,750 | 483,860 | 9,167 | 242,083 | 66,830 | 1,342,790 |
| Gary A. Rogers | 0 | — | 73,855 | 465,145 | 114,370 | 1,369,790 |

(1) The value realized represents the difference between the aggregate closing price of the shares on the date of exercise less the aggregate exercise price paid.

(2) The value of in-the-money options is based on the closing price of our common stock on December 31, 2003 of $7.54 per share, minus the per share exercise price, multiplied by the number of shares underlying the option. These values have not been, and may never be, realized.

**Employment Agreement**

Albert A. Notini serves as a member of our board of directors and is employed as President and Chief Operating Officer pursuant to an employment agreement entered into in April 2004. Under this agreement Mr. Notini's base salary is $325,000 annually and he is eligible for an "on target bonus" of 85% of his annual base salary subject to the achievement of specific objectives or the occurrence of certain events. In April 2004, Sonus granted Mr. Notini an option to purchase 2,450,000 shares of our common stock at an exercise price of $3.99 per share, with 25% of the number of options vesting on the first anniversary of his commencement date and the remaining 75% vesting in equal monthly increments through the fourth anniversary of the commencement date. This agreement also includes change in control and termination terms and conditions.

**Compensation Committee Interlocks and Insider Participation**

No interlocking relationship exists between any member of our board of directors or our compensation committee and any member of the board of directors or compensation committee of any other company, and none of these interlocking relationships have existed in the past.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

**Beneficial Ownership of Securities**

The following table sets forth information regarding beneficial ownership of our common stock as of May 31, 2004 by:

- each person who beneficially owns to the best of our knowledge, more than 5% of the outstanding shares of our common stock;
- each of our Named Executive Officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting and investment power with respect to shares. In computing the number of shares beneficially owned by each person named in the following table and the percentage ownership of that person, shares of common stock that are subject to stock options held by those persons that are currently exercisable or exercisable within 60 days of May 31, 2004 are deemed outstanding. These shares are not, however, deemed outstanding for purposes of computing the percentage ownership of any other person.

Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. The percentage of common stock outstanding as of May 31, 2004 is based on 245,759,931 shares of common stock outstanding on that date. Unless

otherwise indicated, the address of each person listed in the table is care of Sonus Networks, Inc., 250 Apollo Drive, Chelmsford, Massachusetts 01824.

| | Number of Shares Beneficially Owned | Percentage Outstanding |
|---|---|---|
| **Executive Officers and Directors:** | | |
| Hassan M. Ahmed(1) | 8,845,498 | 3.6% |
| Rubin Gruber(2) | 4,368,863 | 1.8 |
| Gary A. Rogers(3) | 1,674,761 | * |
| Paul J. Severino(4) | 571,823 | * |
| Edward T. Anderson(5) | 435,947 | * |
| Paul R. Jones(6) | 568,099 | * |
| Paul J. Ferri(7) | 165,340 | * |
| John M. O'Hara(8) | 68,333 | * |
| H. Brian Thompson | 20,000 | * |
| Albert A. Notini(9) | 16,667 | * |
| All executive officers and directors as a group (13 persons)(10) | 24,857,050 | 9.9 |
| **5% Owners:** | | |
| Fidelity Management and Research Company(11) | 36,667,700 | 14.9 |
| Barclay's Plc and affiliated entities(12) | 13,588,549 | 5.5 |

* Less than 1% of the outstanding shares of common stock.

(1) Includes 1,874,667 shares subject to outstanding options that are exercisable as of July 30, 2004. Includes 1,314,000 shares held by family trusts and by his minor children. Mr. Ahmed disclaims beneficial ownership of the shares held by these trusts and his minor children.

(2) Includes 1,264,458 shares subject to outstanding options that are exercisable as of July 30, 2004.

(3) Includes 212,334 shares subject to outstanding options that are exercisable as of July 30, 2004. Includes 219,883 shares held by a family trust and 12,000 shares held in trust for his minor children. Mr. Rogers disclaims beneficial ownership of the shares held by these trusts.

(4) Includes 16,251 shares subject to outstanding options that are exercisable as of July 30, 2004 and 51,000 shares held for the benefit of Mr. Severino's minor child under the Massachusetts Uniform Transfer to Minors Act.

(5) Includes 16,251 shares subject to outstanding options that are exercisable as of July 30, 2004.

(6) Includes 550,817 shares subject to outstanding options that are exercisable as of July 30, 2004.

(7) Includes 16,251 shares subject to outstanding options that are exercisable as of July 30, 2004.

(8) Includes 68,333 shares subject to outstanding options that are exercisable as of July 30, 2004.

(9) Includes 16,667 shares subject to outstanding options that are exercisable as of July 30, 2004.

(10) Includes 5,889,960 shares subject to outstanding options that are exercisable as of July 30, 2004.

(11) According to a Schedule 13G filed on February 17, 2004, Fidelity Management & Research Company (Fidelity) a wholly owned subsidiary of FMR Corp., was the beneficial owner of 36,667,700 shares of common stock in its capacity as investment advisor to various registered investment companies. The power to vote 32,076,770 of such shares resides solely with the boards of trustee of these Fidelity Funds, while the power to dispose of such shares resides with Edward C. Johnson 3rd and FMR Corp. Edward C. Johnson 3rd and FMR Corp. each has sole dispositive power over 2,769,830 of such shares and sole power to vote such shares. Edward C. Johnson 3rd is chairman of FMR Corp., Abigail P. Johnson is a director of FMR Corp. and members of the Johnson family may be deemed to form a controlling group with respect to FMR Corp. Fidelity International Limited (FIL) is the beneficial owner of 1,821,100 of the shares. FIL operates as an

entity independent of FMR Corp and Fidelity, but a partnership controlled by Edward C. Johnson 3rd and members of his family owns shares of FIL voting stock with the right to cast approximately 39.89% of the total votes of FIL voting stock. FMR Corp. maintains that the beneficial ownership of FIL should not be attributed to FMR Corp., but voluntarily has included all shares beneficially owned by FIL into the beneficial ownership of FMR Corp. for the purpose of the Schedule 13G filing. The address of FMR Corp. is 82 Devonshire Street, Boston, MA 02109.

*(12)*

According to a Schedule 13G filed on February 17, 2004, Barclay's Global Investors, N.A. (BGI), a wholly owned subsidiary of Barclay's PLC (Barclay's), was the beneficial owner of 10,168,438 shares of common stock, and Barclay's Global Fund Advisors (BGF), a wholly owned subsidiary of BGI, was the beneficial owner of 2,204,311, each of whom hold the shares in trust accounts for the beneficiaries of those accounts. BGI and BGF have dispository power and voting power over 12,373,349 of those shares. The address of BGI and BGF is 45 Fremont Street, San Francisco, CA 94105.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2003 with respect to the shares of our common stock that may be issued under the our existing equity compensation plans.

| Plan Category | (A) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights | (B) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | (C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) |
|---|---|---|---|
| Equity Compensation Plans Approved by Shareholders(1) | 28,136,494(3) | $ 4.60 | 47,189,470(4) |
| Equity Compensation Plans Not Approved by Shareholders(2) | 0 | — | 0 |
| Total | 28,136,494 | $ 4.60 | 47,189,470 |

*(1)*

Consists the Plan and the 2000 Employee Stock Purchase Plan (ESPP).

*(2)*

Consists of the TTI 1998 Equity Incentive Plan assumed by us and the 2000 Retention Plan established by us in connection with our acquisition of telecom technologies, inc. (TTI). As of December 31, 2003, no additional options or grant of shares may be granted and no shares of our common stock are issuable upon exercise of options under these plans.

*(3)*

Excludes purchase rights presently accruing under the ESPP. The ESPP consists of four consecutive 6–month purchase periods. Eligible employees may purchase shares of common stock at a price equal to 85% of the lower of the fair market value of the common stock at the beginning of each two–year offering period or the end of each semi–annual purchase period. Participation is limited to 20% of an employee's eligible compensation not to exceed amounts allowed by the Internal Revenue Code.

*(4)*

Consists of shares available for future issuance under the Plan and the ESPP. As of December 31, 2003, an aggregate of 35,051,143 shares of common stock were available for issuance under the Plan and 12,138,327 shares of common stock were available for issuance under the ESPP. The Plan incorporates an evergreen provision pursuant to which, on January 1 of each year, the aggregate number of shares reserved for issuance under the Plan automatically increases by a number equal to the lesser of (i) 5% of the total number of shares of common stock outstanding on December 31 of the preceding year, or (ii) such number as our Board of Directors may determine.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 is included, as applicable, above under Item 11 captioned "Executive Compensation" and incorporated herein by reference.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

### Fees For Independent Auditors During Fiscal Years Ended December 31, 2003 and 2002

The following is a summary of the fees billed to Sonus by Ernst & Young LLP for the fiscal years ended December 31, 2003 and 2002 for audit services and in the fiscal years ended December 31, 2003 and 2002 for other professional services.

| Fee Category | Fiscal 2003 Fees (2) | Fiscal 2002 Fees (1) |
|---|---|---|
| Audit Fees | $ 4,722,285 | $ 77,512 |
| Audit–Related Fees | 43,000 | 21,250 |
| Tax Fees | 52,000 | 73,756 |
| All Other Fees | 2,500 | 0 |
| Total Fees | $ 4,819,785 | $ 172,518 |

*(1)* Includes fees billed by Ernst & Young LLP (E&Y) following their appointment in June 2002 to replace Arthur Andersen LLP as Sonus' independent auditors. Excludes fees billed by Arthur Andersen LLP in the amount of $20,000 for the review of financial statements included in Sonus' first quarter filing on Form 10–Q and in the amount of $15,050 for tax planning and compliance services rendered during fiscal 2002.

*(2)* Includes fees billed and estimated to be billed by E&Y in 2003 and 2004 for the fiscal 2003 audit and the 2002 and 2001 re–audit work performed in 2004.

### Audit Fees

Audit fees consist of professional services rendered for the audit of Sonus' consolidated financial statements, review of the interim consolidated financial statements included in our quarterly reports on Form 10–Q and statutory audits of foreign entities.

### Audit–Related Fees

Audit–related fees consist of professional services that are reasonably related to the performance of the audit or review of Sonus' consolidated financial statements, but are not reported under "Audit Fees." These services include employee benefit plan audits, review of internal controls and consultations concerning financial accounting and reporting standards.

### Tax Fees

Tax fees consist of professional services for tax compliance, tax reporting, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance and reporting, sales and use tax advice and international tax planning.

### All Other Fees

All other fees consist of products and professional services other than the services reported above. In fiscal 2003, all other fees included a fee for the use of Ernst & Young LLP's on–line research tool.

**Policy on Audit Committee Pre–approval of Audit and Non–audit Services**

The audit committee has adopted a policy to pre–approve audit and permissible non–audit services provided by the independent auditors. These services many include audit services, audit–related services, tax services and other services. Prior to engagement of the independent auditor for the next year's audit, the independent auditor and Sonus management submit an aggregate of services expected to be rendered during that year for each of the four categories of services to the audit committee for approval. Pre–approval is generally provided for up to one year and any pre–approval is detailed as to the particular service or category of services. The independent auditor and Sonus management periodically report to the audit committee regarding the extent of services provided by the independent auditors in accordance with this pre–approval process. The audit committee may also pre–approve particular services on a case–by–case basis. The audit committee may ratify, without prior approval, certain *de minimis* non–audit services if the aggregate amount of all such non–audit services provided to Sonus constitutes not more than $5,000 during the fiscal year in which the services are delivered, provided such services were not recognized by Sonus at the time as non–audit services and are promptly brought to the attention of the audit committee and approved prior to the completion of the audit. During the fiscal year ended December 31, 2003, there were no de minimis non–audit services provided that the audit committee subsequently ratified as the audit committee pre–approved all of the services performed by Ernst & Young LLP.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8–K

**(a) Documents filed as part of Amendment No. 1 to Annual Report on Form 10–K/A:**

**1) Financial Statements.**

The following consolidated financial statements and notes thereto are included in Part II, Item 8 filed as part of this report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets
- Consolidated Statements of Operations
- Consolidated Statements of Stockholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

**2) Financial Statement Schedules.**

None. All schedules are omitted because they are inapplicable, not required under the instructions or because the information is reflected in the consolidated financial statements or notes thereto.

**3) List of Exhibits.**

The Exhibits filed as part of this Amendment No. 1 to Annual Report on Form 10–K/A are listed in the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

**(b) Reports on Form 8–K filed during the fourth quarter of fiscal 2003.**

Sonus furnished a Current Report on Form 8–K dated October 8, 2003 reporting under Item 12 (Results of Operations and Financial Condition) its actual financial results for the quarter ended September 30, 2003.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Chelmsford, Commonwealth of Massachusetts, on this 28 th day of July, 2004.

SONUS NETWORKS, INC.

By: /s/ HASSAN M. AHMED

Hassan M. Ahmed
*Chairman of the Board of Directors and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature | Title | Date |
|---|---|---|
| /s/ HASSAN M. AHMED<br>Hassan M. Ahmed | Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer) | July 28, 2004 |
| /s/ ALBERT A. NOTINI<br>Albert A. Notini | President, Chief Operating Officer, and Director (Co–Principal Financial Officer) | July 28, 2004 |
| /s/ BRADLEY T. MILLER<br>Bradley T. Miller | Vice President of Finance, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer and Co–Principal Financial Officer) | July 28, 2004 |
| /s/ EDWARD T. ANDERSON<br>Edward T. Anderson | Director | July 28, 2004 |
| /s/ PAUL J. FERRI<br>Paul J. Ferri | Director | July 28, 2004 |
| /s/ RUBIN GRUBER<br>Rubin Gruber | Director | July 28, 2004 |
| /s/ PAUL S. SEVERINO<br>Paul J. Severino | Director | July 28, 2004 |
| /s/ H. BRIAN THOMPSON<br>H. Brian Thompson | Director | July 28, 2004 |

**SONUS NETWORKS, INC.**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of
Sonus Networks, Inc.:

We have audited the accompanying consolidated balance sheets of Sonus Networks, Inc. as of December 31, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sonus Networks, Inc. as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the accompanying financial statements, the Company has restated its financial statements for the years ended December 31, 2002 and 2001.

/s/ Ernst & Young LLP

Boston, Massachusetts
July 28, 2004